

A successful strategic sourcing initiative generates measurable and sustainable value to an organisation. While most initiatives focus on cost savings, improving customer experience or minimising business risks are equally important reasons. For the success of a strategic sourcing initiative 2MC identified organisations should enable (by engaging consultants) or develop (in-house) eight key factors as a minimum.

Identifying realistic, clear and concise sourcing goals

Starting a strategic sourcing initiative could become costly when the sourcing goal is not realistic, clear and concise. Complete, correct and accurate data is therefore critical to properly formulate the sourcing opportunity for an organisation. When this is missing, 2MC recommends asking for more evidence or testing the viability of a proposed opportunity and use the resulting data to guide the decision. Although this process could be time consuming, it establishes the right visibility, prioritisation and focus to generate the best value for your organisation.

Having sufficient visibility on spend structure

Sufficient visibility on a organisations spend structure is critical to capture all addressable spend and identify areas for improvement. In this analysis process it is important to understand any historical data that points to deviations in a pattern and future demand by your organisation and customers.

Obtaining deep market intelligence before going to market

Deep market intelligence is essential to identify and exploit the best opportunities the supply market could offer to your organisation. Access to market intelligence can best be obtained by industry experts, (online) research providers or directly from suppliers before going to market with a more formal request.

Evaluating suppliers against predefined quantifiable metrics

Do not underestimate the importance of having the right metrics defined before evaluating your suppliers. Key is to make sure the metrics are quantifiable, enabling a like-for-like supplier comparison and focus on meeting the needs of your organisation. Not the needs of procurement.

Selecting suppliers based on proven product & services

More than often suppliers oversell their product and services, without having a proven solution in place or having unrealistic timelines to deliver a viable solution. In these situations organisations should ask the supplier to provide further evidence, but also stronger commercial commitment to meet the sourcing goals. When evidence is made available look closely and be sure the solution supports multiple scenarios, including *the exception*.

Ensuring all compliance obligations are met

Prior to contract negotiation ensure as an organisation that all your compliance obligations in the Australian market are met. For example, any new outsourcing arrangements or a material change to an existing arrangement by an authorised deposit-taking institution (ADI) the APRA APS231 standards need to be met. Ensuring the outsourcing arrangement is subject to appropriate due diligence, approval and ongoing monitoring. Organisations

should also take APS232 into consideration. A standard that aims to ensure an ADI implements a whole of business approach to business continuity management appropriate to the nature and scale of its operations.

Collaborating closely with a supplier during implementation

During contract implementation collaborate closely with the supplier to ensure the sourcing goals of your organisation are fully understood, met and captures any potential value beyond the implementation.

Leveraging from the right team

Establishing the right team is essential for a successful strategic sourcing initiative. A team with experience, knowledge and drive to achieve sufficient spend visibility, obtaining market intelligence, evaluate suppliers, meet compliance obligations and implement the contract successfully against the sourcing goals.

2MC's strategic sourcing approach and tools fully embrace the above success factors. Next to our proven approach we add significant value by leveraging from our suite of supplier assessment tools, enabling a quantitative and qualitative assessment of suppliers to support accurate decision making.

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